

SUMNER

REAL ESTATE NEWS

by

Robert Jenets

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MARKET NEWS

Somewhere around the year 2000, the traditional “Spring market” of April or May started happening earlier, in January or February, and that has been the pattern since then. That is until this year, when the “Spring market” was actually delayed until Spring.



Robert Jenets
Vice President
Stuart & Maury, Inc.

Concern over the economy and uncertainty with regard to the mortgage and foreclosure crisis caused buyers to be somewhat hesitant in January and February. The possibility that prices were going to fall significantly in the near future had people watching and waiting instead of writing contracts. Open houses were well-attended and there seemed to be plenty of buyers, but they were overly cautious and the market seemed stalled.

The media had convinced many people that the market was in a free-fall and that good homes could be bought for pennies on the dollar. Many low-ball offers were made that never became contracts because the buyers were only interested in getting a drastically low price and would not negotiate to something reasonable for both parties.

That being said, when I did the research to compare the first four months of this year with the same period last year, which was, by the way, an excellent market, I was surprised at the statistics from the MRIS. Speaking only of single family detached homes in the zip code 20816, there were 13 contracts dated January 2008. Last year only had three more than that with a total of 16 contracts dated January 2007. This fact is hard to accept when I remember

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NEIGHBORHOOD NEWS

During the first four months of this year, three Sumner home sales settled:

5005 Sangamore Road was listed for \$825,000 and sold for \$795,000; 5128 Baltan Road was listed for \$875,000 and sold for \$840,000; and 5111 Westpath Court was listed for \$884,888 and sold for \$850,000. These three sales obviously reflect the troubled market of the last part of 2007 and the first couple months this year.

Since then, three more homes have gone under contract and are currently pending settlement. They are:

5004 Brookeway Drive, listed at \$1,135,000; 5003 Nahant Street, listed at \$1,275,000; and 4811 Fort Sumner Drive at \$1,699,500. The Brookeway Drive house is a Stuart & Maury listing that sold after the first weekend. The owner had customized the home with a nice open flow and a top-of-the-line kitchen. As usual, we see that a home in terrific condition will reward the owner's efforts with a short marketing time and an excellent price.

I can see no value in calculating the average price of the sales during this first period of the year, as they clearly are not a representative cross-section of Sumner homes. All three needed updating and, during the time they were being marketed, buyers had little interest in homes that needed a lot of work. Once the three pending sales close, we will see be able to calculate a year-to-date average price that makes sense.

As I write this letter there are five homes listed for sale, ranging in price from \$749,000 to \$1,325,000. That is an unusually large number of homes to be available at one time in Sumner, offering evidence that the market is still recovering. But, considering that there were only 13 sales during all of 2007, the 11 properties that are “in play” already this year portend a more active year for real estate in the neighborhood.

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MARKET NEWS...

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how it *felt* in January. It seemed that nothing was selling! What is even more surprising is the fact that the average price of the 13 sales was higher than the average price of the sales from January 2007!

February was similar with 15 sales this year vs. 17 last year and once again, the 2008 average price was higher. March of this year had 21 sales compared with 25 the year before and there were actually five MORE contracts in April of this year compared to last!

Taken as a whole, there were 81 contracts dated January through April 2007 as compared with 77 contracts for that same time in 2008. That is not nearly as big a difference as one would have expected. Certainly, data like this illustrates that the close-in Bethesda real estate market does not match the troubled depiction of home sales that one hears in the news. The increase in April sales was palpable and our market feels pretty healthy at the moment.

The most challenging aspect of this market for homeowners looking to make a move is how to get from point A to point B. It is ideal if you can be qualified to buy your next home, independent of the sale of your present home, although with the recent turmoil in the mortgage industry, this is not as easy to do as it was before. But you don't *have* to be able to buy independently in order to make a move. There are various ways that I have helped people through the delicate process of coordinating the sale of their present residence with the purchase of a next home that satisfies their needs and desires.

So what happened—why is it better? No one can know for sure but most likely, time has allowed the market to improve. The sensationalism of the word “foreclosure” has started to dull and truly, we have seen very few mortgage defaults in the immediate area. Also, I believe it has been demonstrated that prices in Bethesda are not going to drop to any great degree and so buyers realize that now is a great time to buy. The message that resounds here is that we are fortunate to own real estate in an area where the value is so resilient and well-established.

Neighborhood News...

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Sales activity in the neighborhood and all around Bethesda is fairly strong at the moment, likely helped by more clarity in the lending industry. New systems and guidelines to reduce the lenders risk are now operational and the mortgage approval process is settling into its new routine. The large secondary lenders eventually agreed to buy the new “jumbo conforming” loans (between \$417,000 and \$729,500) which caused the pricing of those loans to improve.

When this new loan category was created as part of the Federal Government's economic stimulus package, the rate on these loans was approximately 7% because it was unclear whether these mortgages were going to be saleable on the secondary market. Now that the uncertainty is resolved, the price has dropped into the low 6% range and there is a definite surge in the market for homes priced from approximately \$600,000 to \$850,000. Remember though, this provision of the stimulus package is only in effect through the end of this year.

The environment for loans of more than \$1,000,000 has become much more challenging. At that level, most lenders are requiring 25% to 30% down-payment, and not by means of a second trust, either.

One new aspect of the loan process that could cause an unforeseen problem is the appraisal review, where an underwriter analyzes the data to verify the appraiser's valuation. Appraisals are being scrutinized to be sure that the value is accurate and that the lender will not be overextended in the case of a default. Be aware that, even if there is no problem with your appraised value, the review itself may add a few days to your loan approval time.

Residential real estate always has some challenge or another but luckily, the Washington area is blessed with a consistent demand for quality housing and great schools in a well-respected community like Sumner.

Robert Jenets

Vice President & Associate Broker

(301) 257-3200



www.RobertJenets.com

